

## Attachment “B”

POSTAL SERVICE

PMG: USPS needs Congress's help<<http://multichannelmerchant.com/opsandfulfillment/usps-needs-congress-help-0627jt1/>>

MultiChannel Merchant

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The United States Postal Service can't begin to gain profitability without help from the federal mandates that hold it back, Postmaster General Patrick Donahoe told attendees at the National Catalog Forum held June 21-22 in Washington by the American Catalog Mailers Association.

"We can't just keep kicking the can down the road," he said. "We're looking for some kind of resolution, not a bailout. We can only control what we can control. These mandates have to go. We need to get beyond this stuff so we can help grow this industry."

By shedding its annual \$5.5 billion payment for retiree healthcare benefits as dictated by the 2006 Postal Reform legislation, switching from six- to five-day delivery - which Donahoe said should have happened five years ago - and having the freedom to close postal facilities, the U.S. Postal Service would then find itself in a favorable fiscal position, Donahoe said.

The USPS lost \$8.5 billion in fiscal 2010 and those kinds of losses will continue in the future unless Congress acts on the aforementioned items, Donahoe said.

Eliminating Saturday mail delivery would save the USPS \$3.1 billion in the first year, Donahoe said, and as much as \$5.2 billion by 2020. Federal law has mandated a six-day mail delivery schedule since 1983, and Congress still needs to lift the restriction before five-day mail delivery could happen.

According to the U.S. Postal Service's five-day mail delivery proposal, letter carriers would stop delivering mail to U.S. homes and businesses and picking up mail from blue collection boxes on Saturdays. But post offices would stay open on Saturdays, and mail would be delivered to post office boxes.

Donahoe pointed to proposed legislation from Sen. Thomas Carper (D-DE) as a "beacon of hope for the USPS. "Carper's bill is the best thing out there," Donahoe said.

Carper's proposed Postal Operations Sustainment and Transformation (POST) Act of 2011 addresses a series of provisions including: easing postal employee pension and retiree health costs; addressing postal employee wages and benefits; allowing partnerships with state and local governments; continuing and enhancing efforts to preserve its existing business; and giving the Postal Service leeway to close post offices, market certain non-postal items, and eliminate Saturday delivery.

What's more, Carper's bill would require the U.S. Office of Personnel Management to recalculate the Postal Service's Civil Service Retirement System (CSRS) obligations using a modern formula that more fairly divides responsibility for pension costs related to pay increases granted to former Post Office Department employees who transitioned to the Postal Service. This recalculation would result in a finding that the Postal Service has overfunded CSRS by about \$50 billion.

What's more, Donahoe predicted nearly half of the roughly 32,000 postal facilities currently in the U.S. will be closed in the next six or seven years. "We have to look at our labor structure and figure out how to merge hard copy with digital."

As far as the USPS being relevant in the future, Donahoe said that will be answered when mail delivery drops to five days and the enormous annual burden of \$5.5 billion in prepayments to retiree health benefits is lifted. "Then let the market decide," if it's relevant, he said.

First-class mail, which pays most of the USPS bills, is sinking fast. "That carries the lion's share and losing this puts tremendous pressure on your organization," Donahoe said.

Although 560,000 career employee positions have been cut since 2000, Donahoe said Congress needs to act on these pressing issues to give the USPS a fair shot at returning to profitability.